

# RNB



**RNB RETAIL AND BRANDS**  
**SUSTAINABILITY REPORT 2018 / 2019**

# Highlights

## 2018 / 2019



We are committed to set science-based targets to **reduce our GHG emission** in line with 1,5C warming pathway, in collaboration with STICA. [Read more p.25](#)



Brothers takes the next step to make it easier for customers to make conscious buying decisions by introducing the product label **“A conscious choice”**. [Read more p.30](#)



...e product be used?  
...unctional/damaged)

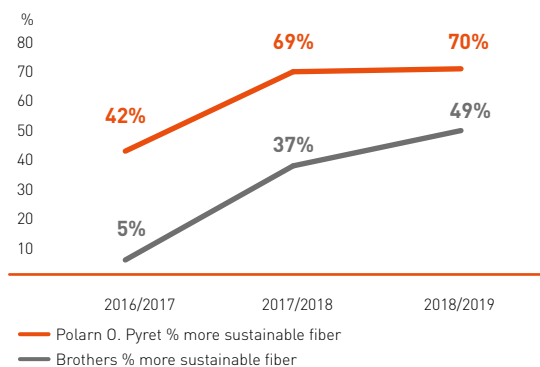
No

...ate to Human Bridge  
...for recycling

A developed collaboration between **Polarn O. Pyret** and the **Human Bridge**, a local NGO, prolongs the lifecycle of clothes and contributes to a **More circular clothing consumption**.

Read more p.30

### Sustainable fiber development, % produced pieces



RNB central warehouse is moved to a **highly automated** warehouse. This will lead to increased energy efficiency through optimised logistic flow.

Read more p.27



**55%** of the customers using the products **for 3 or more children**, for outerwear. (49% 2017)

Read more p. 30

Sveriges Grönaste Varumärke

**2018**  
differ.

Polarn O. Pyret has been the **no1** green brand in the clothing sector since 2009.

Read more p.29

# Contents

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About this report	4
CEO's comment	5
RNB at a glance	6
Our sustainability work	8
Sustainable Development Goals	8
Stakeholder engagement	9
Materiality assessment	11
Sustainability cornerstones	12
Policies & requirements	12
Transparency	14
Collaborations	15
Working at RNB	16
Sustainability strategy	18
Design & purchasing	19
Production	22
Logistics	26
Stores	28
Consumption	29
Consolidated sustainability data	31
GRI content index	36
Statement from auditor	39



## About this report

RNB Retail and Brands publishes an annual Sustainability Report for the Group and its subsidiaries. RNB bases the report on CSR, Corporate Social Responsibility, to outline the Group's work on assuming responsibility for and contributing to sustainable progress in the environmental, financial and social fields. The aim of the Sustainability Report is to provide transparent information to the company's stakeholders. This report has been prepared in accordance with the GRI Standards: Core option.

Activities and goals have been determined based on dialogue with management, the Group's sustainability goals and stakeholder views. This is RNB's eleventh Sustainability Report and corresponds to the financial year September 1, 2018 to August 31, 2019.

This report is limited to operations under central management of RNB or its subsidiaries. The information contained in the report has been obtained from internal monitoring systems and external

service providers. This report has been evaluated with external assurance by auditors from Ernst and Young. At RNB, the sustainability work is governed by RNB's management group, where the subsidiaries Department & Stores, Brothers and Polarn O. Pyret have specific business plans and sustainability goals based on their core actives. Up until now RNB has had a central CSR and Quality department and manager to support the subsidiaries' work.

This is the last joint Sustainability Report for RNB. For the coming fiscal year, the daughter companies will be independent of the group structure and Polarn O. Pyret, Brothers and Departments & Stores will therefore report on their sustainability work individually.

# CEO's comment

During the fiscal year 2018/2019, the interest in sustainability issues have increased significantly and become more important than ever with the climate as the center point. Greta Thunberg's message has had a global impact. Reports show that climate emissions continue to increase, the ices are melting faster than expected, the biodiversity decreases, and extreme weather conditions become apparent. The degree of awareness has gradually increased among customers. There is a tendency for this consciousness to have an impact in increasing conscious choices. Interest in sustainable fashion is increasing and the trend is on the rise. It also increases the choice of more sustainable consumption. There is a growing range of sustainable products from the established retailers and more and more new companies have sustainability as their foundation in their business concept. This is complemented by a growing market for second-hand, rentals, swap shops etc.

Retail contributes to climate change and accounts for an estimated 10% of global greenhouse gas emissions, of which most of the climate impact is attributable to production. Politicians, individuals and companies must all contribute to the reduction. RNB is part of this context but also wants to be part of the solution. During 2018/2019 RNB became a part of STICA (Swedish Textile Initiative for Climate Action) together with around 40 other brands. Jointly, we have set science-based targets to reduce our greenhouse gases in line with the 1.5C warming pathway. We have also collaborated to develop a roadmap and action plans to reduce our climate footprint. For this year the actions have focused on mapping the GHG emissions in scope 1 and 2. For 2020 we will begin to map the much bigger challenge and reduce the emissions in scope 1, 2 and 3.

Our vision at RNB Retail and Brands is to create sustainability through responsible production, attractive long-lasting products and long-term relations. For us, creating sustainable operations is an essential aspect of our long-term value proposition and thus will have a direct impact on our profitability.

The financial year 2018/2019 was again a period of significant accomplishments. We've secured our position for longevity with a strong secondhand value, where Polarn O. Pyret has been the no 1 green brand in the clothing sector since 2009. 55% of the Polarn O Pyret customers use outdoor garments for a minimum of 3 children with a significant environmental benefit as "three children in each garment" reduces climate emissions and water usage by 65% compared to one child in each garment.



Brothers and Polarn O. Pyret continue to increase the share of more sustainable fibers in our fashion range and the supplier base is developing in the same way to support these changes. We can conclude that we have achieved a lot through the group-wide sustainability work over the years. During the year, the focus has also been to transition the sustainability work to the subsidiaries' company-specific sustainability strategies, based on each company's unique stakeholders and their materiality assessments.

It has become clear how different the subsidiaries are in terms of customers and product range and therefore how important it has been to shape individual strategies in order to set clear focus and targets to create further momentum in sustainable development.

As of the coming year, each subsidiary is fully independent to manage, target, strengthen, develop and report their own challenges and opportunities in their sustainability work. This means that this year's sustainability report will be the last for RNB Retail and Brands.

In order to get an insight on what to expect, these are the sustainability visions of the subsidiaries:

**Polarn O. Pyret** – To make the children's clothing market more sustainable.

**Brothers** – The most durable men's fashion chain for modern men with conscious style.

**Departments and Stores** –

Through our business and customer offering, we contribute to a sustainable lifestyle in premium and affordable luxury.

# RNB at a glance

## Vision

RNB RETAIL AND BRANDS' vision is to offer customers the ultimate shopping experience.

## Business concept

RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores and e-commerce. The vision is to offer our customers the ultimate shopping experience. Sales are conducted through the store concepts Brothers, Man of a kind and Polarn O. Pyret. The business area Departments & Stores manages stores at the two department stores of Nordiska Kompaniet. The four concepts are clearly positioned and differentiated with inspiring stores and e-commerce, excellent service and an attractive and targeted fashion range. The Group has around 250 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS has been listed on Nasdaq Stockholm since 2001 under the ticker RNBS.

## Governance structure

With a headquarter based in Stockholm and production office in Hong Kong, RNB can centrally manage the Groups activities while at the same time closely engage with suppliers to continuously improve product quality and create sustainable and smart business.

**Brothers** is a fashion concept for men offering most style for money through affordable quality, superb fit, fashion grade and world-class service.

The **Departments & Stores** offers customers an international product mix in an inspiring environment with world-class service.

**Man of a kind** is the online destination for exclusive men's fashion and offers a carefully selected premium clothing range and world-class service in an inspiring digital environment.

Based on its devotion to children, **Polarn O. Pyret** provides the most relevant and attractive range of quality clothing. With expertise, passion and commitment, we guide and inspire our paying customers towards better purchases - today and in the future.

## The financial year in figures

### Net sales

**2,267** MSEK  
(2,238 MSEK)

### Operating income before impairment of goodwill

**-45** MSEK  
(47 MSEK)

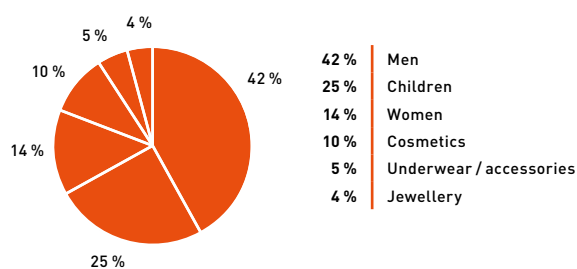
### Operating margin before impairment of goodwill

**-4.9** %  
(2.1 %)

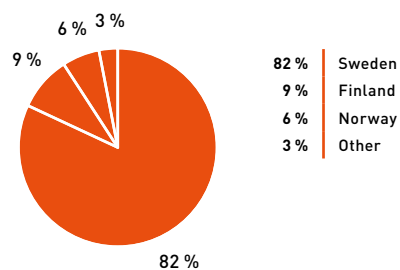
### Cash flow from operating activities





**50** MSEK  
(10 MSEK)

**Sales 2018/2019  
by product category, %**



**Sales 2018/2019  
by geographical market, %**



Business area	Net sales, Sept-Aug	Share, %	Operating income, Sept-Aug <sup>1</sup>	Own stores		Franchise	
				Stores	E-com	Stores	E-com
<b>BROTHERS</b>	<b>539MSEK</b>	 24%	<b>-12MSEK</b>	<b>Total</b> Sweden Finland	<b>54</b> 43 11	<b>2</b> 1 1	<b>11</b> 11
DEPARTMENTS & STORES	<b>920MSEK</b>	 41%	<b>17MSEK</b>	<b>Total</b> NK Stockholm NK Gothenburg	<b>42</b> 27 15		
<b>Man of a kind</b>	<b>24MSEK</b>	 1%	<b>-14MSEK</b>	<b>Total</b>		<b>1</b>	
<b>POLARN O. PYRET</b>	<b>784MSEK</b>	 35%	<b>20MSEK</b>	<b>Total</b> Sweden Norway Finland England USA Estonia Ireland Scotland Iceland Latvia	<b>97</b> 53 24 18 11 2 2 3 1 1	<b>5</b> 3 1 1 3 1 2 3 1 1	<b>29</b> 7 1 11 3 2 3 1 1
<b>Total</b>	<b>2 267MSEK</b>		<b>-45MSEK</b>		<b>193</b>	<b>8</b>	<b>40</b> <b>6</b>
<b>RNB RETAIL AND BRANDS</b>	<b>2 267MSEK</b>		<b>-45MSEK</b>	<b>233 stores</b>	<b>14 e-com</b>	<b>10 countries</b>	

<sup>1</sup> Departments & Stores operating income is before impairment of goodwill.

# Our sustainability work

RNB's sustainability work is based on a platform of core values, materiality assessments, prioritized sustainability targets, policies and requirements. Hence, the sustainability work is an ongoing process and should mirror

RNB's work at large. We take genuine responsibility for people and the planet, and continuously evaluate our activities from a sustainability perspective.

## Sustainable Development Goals

In 2015, the United Nations produced its Sustainable Development Goals with the aim of moving towards a sustainable world. By mapping out 17 social, environmental and economic goals that interact and influence one another, the idea is to ensure progress that meets the needs of the present without compromising the ability of future generations to meet their own needs. The sustainability agenda acknowledges and points out how stakeholders from multiple backgrounds play a key role in achieving sustainable growth.

The work is centrally managed at Group level on the basis of the shared platform, where each subsidiary produces business-specific action plans based on their

respective focus areas. Sustainability is one of four cornerstones in RNB's ownership strategy and the work is based on three shared long-term objectives which will be presented throughout this report.

RNB strives to be a part of the solution by generating sustainable and smart business through socially and environmentally conscious products and production. Through our sustainability initiatives we recognize the complex structure of the retail industry and work towards ensuring a long-term perspective. We recognize that the agenda is interconnected, and that our work includes and influences the full range of SDG goals. Accordingly, we've identified six goals that influence our work on a day-to-day basis.



### Prioritized SDGs

- 6. Clean water and sanitation
- 8. Decent work and economic growth
- 10. Reduced inequalities
- 12. Responsible consumption and production
- 13. Climate action
- 17. Partnerships for the goals



# Stakeholder engagement

RNB's business needs to be viewed in the context of its stakeholders, who both affect our business and are affected by it. The purpose of stakeholder engagement is to identify common ground on expectations of our

sustainability work in terms of its possibilities and challenges throughout the value chain. The table shows RNB's prioritized stakeholders, how we engage with each other and which common topics are most material.

Stakeholders	How we engage (&how often)	Material topics
<b>Customers</b> End customers Franchisees and Master Franchisees	In-store customer interaction (ongoing) Customer service (ongoing) Market research incl. surveys (regularly) Social media interaction (ongoing)	Chemicals Sustainable products Product durability Product safety No child labor Human rights No bonded labor Health & safety Fair remuneration Water Production country Normative design Animal welfare Transparency Greenhouse gases
<b>Colleagues</b> Employees in: Head office Production office Stores Warehouses	Core values including direct communication (ongoing) Individual coworkers dialogue (ongoing) Performance reviews (regularly) Safety committee including union safety representatives (regularly) Management forum & leadership training (regularly) Whistleblower function (needs-based) Employee survey (regularly) End of employment survey (ongoing) Real time safety survey tool (regularly) Company health care survey (regularly) E-learning tools (ongoing)	Work-life balance Fair remuneration No discrimination Health & Safety Employee/management engagement Communication Knowledge & training No child labor Human rights No bonded labor Health & safety Sustainable products Chemicals Water Leadership Common goals Waste management Greenhouse gases
<b>Suppliers</b> Contracted suppliers of proprietary brands Production unit's management in tier 1 Production unit's employees in tier 1 Contracted suppliers of non-proprietary/ external brands	Close dialogue through local representatives in major production locations (ongoing) Training modules (frequently) Project engagement (seasonally/yearly) Dialogue during audits and correcting action plans (ongoing) Grievance mechanism (needs-based) Supplier evaluations (yearly) NGO's investigating reports (periodically)	Price negotiations Long term relationship Investments in production processes Quality assurance Fair remuneration Health & safety No discrimination Water Contaminations Safe transit between home and work Work-life balance Employee/management engagement Production delays

Stakeholders	How we engage (&how often)	Material topics
<b>Public authorities /governments</b> Ministers of government Government agencies/regulatory bodies Government committees Opposition representatives	Round table discussions (occasionally) Regulatory surveys (occasionally) Point of interest surveys (occasionally) Legislation	Chemical management Energy management Fulfillment of the Swedish environmental objectives UN Sustainable Development Goals Greenhouse gases Product safety Modern slavery
<b>Key collaborations &amp; participations</b> Property owners of shop locations and warehouses Business associations serving brands and shops	Advisory council input (frequently) Contractual discussions Membership dialogue (frequently) Review of operational output of sustainability KPIs (yearly)	Human rights Freedom of association No discrimination Fair remuneration Decent working hours Health & safety No child labour No precarious employment No bonded labor Ethical business practices Cooperations & partnership Chemical Energy Water Packaging materials Waste management Circular business models / Reduce, Reuse, Recycle Product safety Animal welfare Transparency
<b>Academia &amp; science</b> Students Ph.D.s Scientists	Input on reports, essays and thesis (frequently)	Transparency Health & safety Fair remuneration Decent working hours Child labor
<b>Non-governmental organization</b> Charity organizations Human rights organizations Environmental organizations Animal rights organizations	Investigating reports/reviews (seasonally) Company performance analysis (yearly) Accord input	Human rights Fair remuneration Health & safety Chemicals Water Waste management Sustainable product Freedom of association Animal welfare Responsible consumption Greenhouse gases Contaminations Modern slavery
<b>Investors</b> Board Stock market Banks Funds	Company performance analysis	Sustainability reporting Transparency Due diligence Human rights Ethical business behavior

# Materiality assessment

It is essential that our sustainability work reflects RNB's values, principles, ambitions and stakeholder interests. Last year, we raised the ambition and identified specific topics relevant to strengthening each subsidiary's

sustainability reporting. This assessment, combined with our strategic business plans, are the foundation for this report.

## OUR FOCUS

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Very important</p>	<ul style="list-style-type: none"> <li>Transparency</li> <li>Animal welfare</li> <li>Decent working hours</li> <li>Worklife balance</li> <li>Employee/management engagement</li> <li>Energy</li> <li>Packaging materials</li> <li>Product safety</li> </ul>	<ul style="list-style-type: none"> <li>Health &amp; safety</li> <li>Fair remuneration</li> <li>Chemicals</li> <li>Water</li> <li>Human rights</li> <li>No child labor</li> <li>No discrimination</li> <li>No bonded labor</li> <li>Waste management</li> <li>Sustainable products</li> <li>Freedom of association</li> <li>Ethical business practice</li> <li>Modern slavery</li> <li>GHG emissions</li> <li>Contaminations</li> </ul>
	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Important</p>	<ul style="list-style-type: none"> <li>No precarious employment</li> <li>Safe transit between home &amp; work</li> <li>Swedish environmental objectives</li> <li>Normative design</li> <li>Sustainability reporting</li> <li>UN SDGs</li> <li>Production country</li> <li>Cooperation &amp; partnerships</li> <li>Quality Assurance</li> </ul>
		<p><b>Average impact</b></p>

# Sustainability cornerstones

## Responsible production

All goods sold shall be produced in accordance with international standards and regulatory frameworks governing working conditions and human rights. Where there is a risk of divergences from this requirement, continuous measures are implemented to improve conditions. The environmental impact from production should always be considered and minimized wherever possible.

## Attractive fashion range and safe products

Products sold through RNB's subsidiaries should be safe for the user and should not contain chemicals that may be hazardous for people or the environment. Design, choice of materials and sourcing should consider safety, the environment and ethics.

## Sustainable operations

RNB's operations should be conducted responsibly and with respect for each stakeholder, which means that continuous improvements in terms of social responsibility and environmental impact should be an integral part of the day-to-day work of the Group and its subsidiaries.

# Policies & requirements

To reach its long-term targets, RNB has policies and requirements that govern the decisions taken in its operations. Joint policies that cover all operations are produced at Group level, and each subsidiary can set its own more extensive requirements and goals to meet specific demands. RNB's requirements and follow-up procedures differ depending on whether the business partner is a producer of proprietary brands or an external brand. However, there is always a written agreement that specifies all relevant policies and requirements.

## Code of Conduct

The amfori BSCI Code of Conduct is a set of values, principles and an approach to implementation that all amfori BSCI-participating companies commit to adhere to, alongside their business partners in the supply chain. The code is founded on the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The code contains the following 11 labor principles. RNB has participated in the amfori BSCI initiative since 2004. This has given us the tools, resources and processes to address labor issues in the supply chains.

## Principles of BSCI's Code of Conduct



**The Rights of Freedom of Association and Collective Bargaining**



**Special Protection for Young Workers**



**No Discrimination**



**No Precarious Employment**



**Fair Remuneration**



**No Bonded Labor**



**Decent Working Hours**



**Protection of the Environment**



**Occupational Health and Safety**



**Ethical Business Behavior**



**No Child Labor**



### **Zero tolerance policy**

As a complement to the amfori BSCI Code of Conduct, RNB applies a zero-tolerance policy to identify issues that can't be compromised on in production. We follow up on this policy in our own factory assessments. RNB's starting point is always that factories must be given the opportunity and support to make improvements, as continued collaboration gives factory owners the opportunity to invest in their employees and improve factories. If a deviation is detected, RNB will issue a warning to the supplier and may halt new orders until the required improvement has been implemented. Ultimately, the contract can be terminated if the supplier does not improve according to plan.

#### **RNBs zero tolerance policy:**

- Child labor
- Bonded labor
- Absence of basic fire safety in production or housing
- Serious danger to workers' life or health, physical or mental abuse
- Serious environmental hazards
- Denied access to production facilities
- Lack of commitment or unwillingness to improve
- Prohibited manufacturing at subcontractors
- Ethical business practice

### **Environmental policy**

RNB shall contribute to the sustainable development of the fashion and beauty industries through active and long-term environmental efforts. RNB influences the environment through its daily operations and the products it sells. This occurs through the consumption of natural resources, emissions and waste. We apply our knowledge of operations, the business environment and environmental considerations in our strategic decisions. Practical compliance with the environmental policy is implemented through internal purchasing requirements, guidelines and procedures.

### **Animal welfare policy**

In the RNB supply chain, animals shall be treated well and be protected from unnecessary suffering and disease. If there is any deviation from this, alternative materials or methods shall be investigated and prioritized. RNB strives to place stringent demands on the protection of animals, and wherever possible requests documentation that substantiates this. Materials from endangered animals are not permitted in any form of production. The policy is based on the CITES convention and European legislation for the protection of species and wild fauna, and the five freedoms set out by the World Organization for Animal Health (OIE).

### **Personnel-related policy**

The employees of the RNB Group are its most valuable resource, and Human Resource (HR) policies include a wide range of topics such as diversity, equality, physical and mental health and a safe working environment. By implementing HR strategies, employee surveys and by creating a common platform, RNB continuously evaluates its employees' working conditions.

### **Anti-corruption policy**

RNB has zero tolerance of bribery and corruption, which is regulated in two policies to guarantee ethical business behavior. One part regulates employee behavior in interactions with suppliers and external brands to assure professionalism, integrity and transparency throughout the supply chains. The second focuses on employees at supplier level and is regulated in the BSCI Code of Conduct by external audits. The audits include control of documentation, no falsification of documents and finally how suppliers handle personal information.

# Transparency

## Transparency in the supply chain

Unethical business behavior is a factor we need to consider. If information is hidden or falsified, we cannot be certain that our efforts contribute to more sustainable business. Therefore, being transparent with our operations and our actions are a way of minimizing the risk of unethical business behavior, as the information can then be reviewed and verified. Today there are no set frameworks for transparency. RNB's approach to transparency is to participate in global initiatives or accords, set relevant targets and systematically collect data connected to these areas. RNB analyzes the data through risk assessments to generate conclusions, and we periodically follow up and report on these conclusions. During last year, RNB initiated a roadmap for transparency, where the first activity was to publicly display the supplier list for tier 1 production of proprietary brands on the RNB website, and secondly to increase our ambition to report sustainability data according to the GRI standard. The supplier list remains public, and the subsidiaries will decide how to proceed with the public supplier list coming year. Further, RNB divide its transparency work into two general areas: transparency in our own operations, and the transparency of our business partners.

## Transparency in our own operations

In our own operations, unethical business behavior is regulated by our core values, policies and agreements. All employees have signed an agreement which states that they have read, understood and accepted the RNB policy on corruption. There is a whistleblower function that employees can turn to if suspicious behavior is detected.

If incidents of corruption or unethical behavior is revealed, RNB has a set routine on how to respond. In the past three years, there have been no notified incidents of corruption. During the year, no formal training in our anti-corruption policy was held. There is a risk that the whistleblower function is not fully understood by all employees and that there is uncertainty about how it should be used.

## Transparency in our business partners' operations

At RNB, most of our sustainability work is carried out in the supply chain of our proprietary brands. Our production mostly takes place in countries where the risk of unethical business behavior is high. Therefore, combating unethical behavior is a fundamental indicator for ensuring socially, economically and environmentally sustainable business. With regard to our business partners, unethical business behavior is regulated in agreements, the amfori BSCI Code of Conduct and in the Accord on fire and building safety in Bangladesh. Our production office in Hong Kong and local partners in Turkey and Bangladesh ensure efficient administration and expertise regarding local conditions on national markets. We believe that working closely with our suppliers and local expertise increases transparency. Examples of unethical behavior is where business partners fail to provide accurate information on production sites or compromise the integrity of audits by means of bribery, falsifications or misrepresentation in the supply chain. If these breaches are identified during an amfori BSCI audit it can trigger a zero-tolerance alert.

During the past three years there have been no zero-tolerance alerts triggered by BSCI. If a supplier is in breach of a zero-tolerance issue, RNB provides a warning and may halt all new orders until the required improvement has been documented. Ultimately the business relationship can be terminated if no progress is made, but this is the last alternative if no other option is available. To ensure that information is reliable and accurate, amfori BSCI and the Accord have grievance mechanisms where employees can anonymously report on incidents that have occurred in the production unit. These breaches are then forwarded to all brands involved in that unit, investigated and resolved.

During the past three years, there have been three complaints through the Accord connected to one production unit. All complaints are resolved and publicly displayed on the Accord website. The Accord and amfori BSCI further have internal systems that work with



unethical business behaviors with regard to employees and business partners. Knowledge plays a key part in transparency, and both amfori BSCI and the Accord have fully functional education programs aimed at producers' management and employees which RNB's suppliers take part in. These training programs not only cover basic information on what it means to be a producer with obligations to BSCI and the Accord, but also provide detailed information on the content of the BSCI Code of Conduct, the requirements of the Accord, and how to remediate any deviations and implement long term improvements. The Accord executes all safety committee training programs to ensure that all staff has the right knowledge about safety risks and how to raise concerns that have been identified. RNB perceives a risk in not having received any complaints from producers through BSCI grievance mechanisms during the last three years.

**Transparency – making it easy to do things right**

Our customers' buying decisions frequently affect overall sustainability. Being transparent in what we do makes it easier for our customers to make good buying decisions. We know that even though our customers are our most

important stakeholders, they don't necessarily read the RNB Sustainability Report. Therefore, our subsidiaries communicate with their customers through websites, hang tags on clothes, dialogue in sales channels and on social media. We will continue to develop our communication over the coming years.

**Modern slavery**

RNB doesn't fall under the UK Modern Slavery Act, as the turnover threshold of operations through our master franchise in the UK doesn't exceed £36M. Even though RNB is not required to produce a modern slavery statement, modern slavery is addressed in risk assessments through policies, the Code of Conduct, auditing procedures and trainings in the following, but not limited to, topics: working at RNB, bonded labor, child labor, decent working hours and fair remuneration.

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## Collaborations



Certified by Ecocert Greenlife.  
Licence no 152006.



# Working at RNB

## The employees—RNB’s most valuable resource

RNB’s operations are based on talented employees and it is our staff that interacts with customers every day in our stores and improve operations in one of RNB’s offices. This means that it is critical to create workplaces where staff is able to thrive, progress and feel that their expertise makes a difference. In total, RNB has 992 (1,021) full-time employees, defined as full time equivalents, throughout our stores and offices in Sweden, Norway, Finland and Hong Kong.

## Our corporate culture is the foundation

At RNB, we have core values and leadership guidelines that serve as the foundation for our organizational culture and provide the building blocks for a collaborative climate. The core values describe and summarize how we at RNB should relate to one another in our day-to-day interactions and serve as tools for reaching our operational goals. The leadership guidelines are founded on our core values and define what’s expected of managers and leaders when making decisions. Implementing and clarifying the core values and leadership guidelines is a continuous process that ensures a coherent view of the corporate culture. In addition to applying the core values in group discussions, workshops and leadership trainings, new employees at RNB take part in an introductory training program on what the values mean in practice and how to integrate them into our work. Furthermore, RNB has flexible working hours for employees at head office to facilitate an improved work-life balance. This means that our employees have the opportunity to arrange their work schedule based on their preferences.

## RNB’s core values are:

- We believe in people
- Direct communication
- The customer is most important
- We do sustainable and smart business

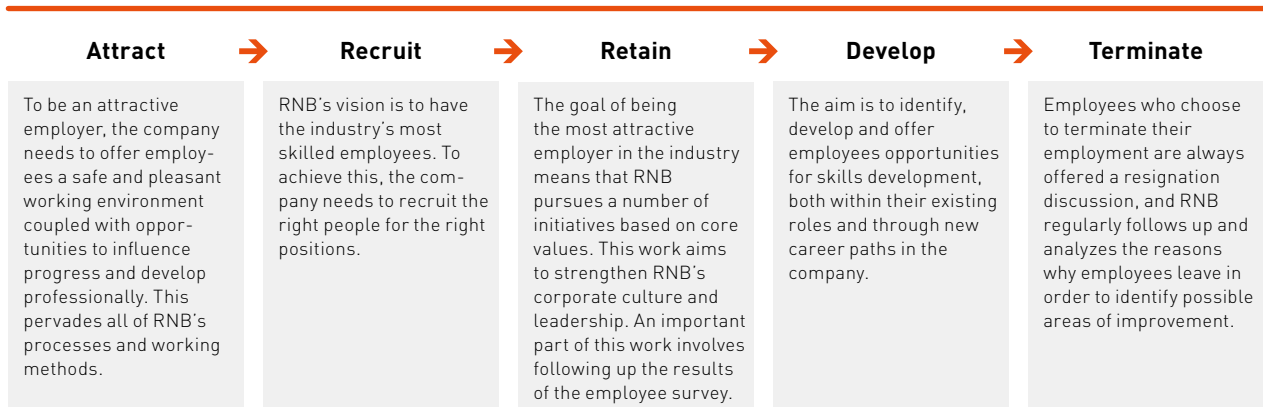
## Talent management

Talent management relates to attracting, recruiting, developing and retaining employees and is a key part of our ability to reach our goals. Within these areas, talent management also ensures structures and processes that clarify how we work with this in practice. In order to attract and retain employees, and to strengthen and develop competences, RNB continued to work with several activities during the year which were introduced during the fiscal year 2017/2018. The talent management will continue to be of important for each subsidiary but may be altered to suit their own independent human-resource strategy.

The talent management included:

- A leadership training program for store managers and office managers.
- Training initiative for managers at head offices focusing on leadership.

## Talent management







- Continuous development of e-learning tools
- Initiatives for physical and mental wellbeing through various types of wellness programs, such as mindfulness training, running groups etc.
- Initiative to improve handover of information between different functions and understanding of each function's role in the organization

#### **Collective agreements**

RNB is affiliated to employers' organization the Swedish Trade Federation (STF). All employees' in Sweden are covered by the collective agreements between the Swedish Trade Federation and the various Swedish trade unions. The four collective agreements are Staff's Retail Trade agreement which covers all the sales staff in stores, Staff's Wholesale Trade Agreement which covers warehouse staff, Unionen's Service Company Employee agreement, covering salaried employees in retail, and Unionen's Academic Association's collective agreement for employees working at the head office.

#### **Promoting equality and diversity**

For us, diversity means that all employees have equal value and the same opportunities and rights regardless of ethnic origin, gender, age, creed, sexual orientation, trans- gender identity or functional impairment. The goal is to create an inclusive and non-discriminatory organization. RNB continually strives to design the employee duties and the work organization so that all employees, regardless of background, can participate in the company on equal terms.

RNB has identified health and safety at work as a material risk that includes topics such as discrimination, exhaustion and work safety. These risks are handled/

mitigated by providing a whistleblower function, regular employee surveys and exit interviews.

If a case of discrimination occurs, RNB thoroughly investigates the case to identify suitable solutions. RNB has a whistleblower function that employees can turn to if power is abused or if discrimination or unethical behavior is detected. This function has also been promoted to emphasize that we take these issues seriously. During the year no incident of discrimination has been identified.

One potential risk is that our employees do not have sufficient knowledge about what channels to use if a concern arises, or that they don't feel comfortable about reaching out and asking for help. This is something that RNB acknowledge as an improvement area. Over the coming years the daughter companies need to improve their communication with employees to ensure that everyone feels included. RNB has not performed an updated employee survey.

The retail industry is traditionally female dominated which is also the case at RNB. Even though the industry is female dominated, salary inequalities exist but are insignificant at RNB. For us meritocracy is the guiding principle and we strategically work towards creating and maintaining full equality through a yearly equality plan (in accordance with Swedish anti-discrimination legislation). The equality plan is based on analysis of internal statistics. The most recent analyze identified that there is no discrimination in areas of competence development, internal recruitment and salaries for store managers and sales staff. However, the plan also showed that there are challenges in sickness absenteeism and parental leave, where women are over-represented.

# Sustainability strategy

RNB works with sustainability in various ways, as the concepts are integrated in our core values, policies, supplier agreements, business strategies and long-term goals. To understand how social, environmental and

financial issues interact in our businesses, we've illustrated this in the various steps of our value chain. Our value chain consists of: design & purchasing, production, logistics, stores and finally consumption.

## 5. Consumption p.29

By offering options to improve a circular production and interact with customers on what they can do to prolong the lifespan of our products, we can decrease our common environmental footprint.



## 1. Design & purchasing p.19

The starting point of our activities where we reconcile conclusions from previous seasons to improve and design quality products. Strategies, demands and goals are determined to generate long-term businesses.



## 4. Stores p.28

Developing store operations with renewable and efficient energy sources improves our environmental impact and it is here that our sales colleagues and sales applications create customer value and communicate our sustainability work on a day-to-day basis.



## 2. Production p.22

This is the main activity where the ideas are transformed into products and stands for the biggest impacts on our surroundings. During production, we control, upgrade and evaluate suppliers and our own activities.



## 3. Logistics p.26

Efficient transportation from production to our customers provides the foundation for an outstanding shopping experience and serves to reduce the environmental impact and greenhouse gas emissions.



### Opportunities

- Meet market demands of durable and sustainable products by providing a higher share of sustainable materials and innovative design.

### Challenges

- The availability of high quality sustainable fibers are not sufficient to meet the customer demand of an affordable product.
- There is a potential to increase internal knowledge of design impact of sustainable products.

This is the starting point of our process where we combine the learnings from previous seasons, with the new trends for our customers, to design and develop quality products. Strategies, goals and action plans are established in order to drive a long-term business. The planning of our fashion ranges includes collection, product and sourcing strategies including sourcing of fabrics and trimming. This phase has an indirect social and environmental impact since it narrows down where the production is sourced, what tests to carry out and what products to develop.

## Quality assurance

### Planning

RNB has a dedicated CSR and quality department composed of textile engineers and quality controllers located at the production office. The department develops practices and sets demands to ensure quality, including ensuring that specific product safety and chemical standards are followed. An important part of their work is providing support and training to other departments and stores to create the right conditions for making choices that respect social and natural resources. Polarn O. Pyret and Brothers will from 2019/2020 have individual CSR and quality departments.

RNB applies the precautionary approach in its risk assessments and planning. This approach is implemented throughout the sustainability strategy. RNB has signed agreements with suppliers to clarify requirements, policies and restrictions which they are obliged to follow.

### Controlling and testing

To evaluate materials and to ensure quality, numerous of quality, safety and chemical tests are performed on our products. The tests are mainly carried out at accredited third-party laboratories, although RNB conducts some tests in-house. Apart from this, RNB conducts quality inspections in factories, where checkups reveal whether products maintain the company's standards. Even though these tests and controls are executed in the production phase, the planning and the focus on what to evaluate is determined early in the sustainability strategy. During the financial year 2018/2019 extensive quality inspections was performed during production. Special emphasis was placed on the

pre-production phase, to identify potential quality issues earlier in the process.

When quality problems are identified early on in production, this can ensure that shipments are sent on schedule and may reduce both costs and waste of resources. Continuous quality controls ensure that no unauthorized production takes place. Follow-ups of the quality inspections are reviewed alongside the fashion range departments each season to ensure a rapid response for upcoming and planned products. If quality problems occur, these are communicated to suppliers to avoid problems being repeated. Manuals and routines are consequently explained and clarified to facilitate work improvements.

### Sustainable fibers

RNB uses a variety of raw materials that influence local communities and the environment. Depending on the functionality of garments, different fiber compositions are appropriate. However, as the preparation of raw materials puts considerable pressure on the environment, RNB works to improve the use of sustainable fibers in its fashion ranges.

During the year, Brothers continued to increase its shares of sustainable fibers in the fashion range. Brothers focuses on expanding its shares of sustainable cotton, including the Better Cotton Initiative. This year, the share of sustainable fibers increased to 49% (37%).

Polarn O. Pyret's share of sustainable fibers has slightly increased to 70% (69%) since last year. However already in 2018 Polarn O. Pyret reached the target of 100% of more sustainable cotton in its main collection (Outerwear and accessories excepted) and for 2018/2019, 99% of the full

product range, containing cotton in any part of the product, was made from more sustainable cotton. In addition, Polarn O. Pyret introduced organic wool and increased its shares of recycled materials during the fiscal year.

#### Cotton development

Cotton is a resource-intensive fiber and the most common material used in RNB's fashion ranges. For example, cotton preparation requires extensive water resources and water-related risks are central to the retail industry. At RNB, the usage of water resources shall not be in conflict with local communities' ability to access clean and safe water. Therefore, sustainable water management is an integral part of RNB's work. By combining a higher proportion of sustainable fibers with strong retail alignments, RNB creates concrete methods to limit risks relating to raw materials and water usage.

In addition to increasing the share of sustainable fibers, in its fashion ranges, RNB contributes to limiting material risks by producing products in certified organic cotton, being part of the Global Organic Textile Standard (GOTS) and through its Better Cotton Initiative (BCI) membership. The BCI membership finances initiatives such as training farmers in more sustainable cultivation methods and represents a sustainable production option.

Within retail there are many types of certifications for sustainable materials, where the GOTS label represents best practice. This means that each stage in the production chain—such as dyeing, printing and sewing—is inspected and certified by an independent party according to strict criteria for environmental impact, working conditions and quality standards. Polarn O. Pyret's target is

that 100% of all cotton products should be organic by 2020 of which 50% should be GOTS. During 2018/2019 Polarn O. Pyret reached its target of 100% organic cotton within all new-born products.

#### Recycled materials

In addition to increasing the share of sustainable cotton, Polarn O. Pyret introduced swimwear featuring UV protection manufactured in recycled polyamide in 2015. From summer 2016 onwards, all sun protection garments have this composition. The garments are composed of 78% recycled polyamide and 22% elastomer. The relatively high proportion of elastomer in the garments means that the fabric can be knitted tightly, letting through little of the sun's UV rays, thus providing an effective sunscreen without requiring chemical proofing. To ensure that the sun protection works optimally, Polarn O. Pyret tests all sun protection garments and sun protection hats at an external lab prior to each season.

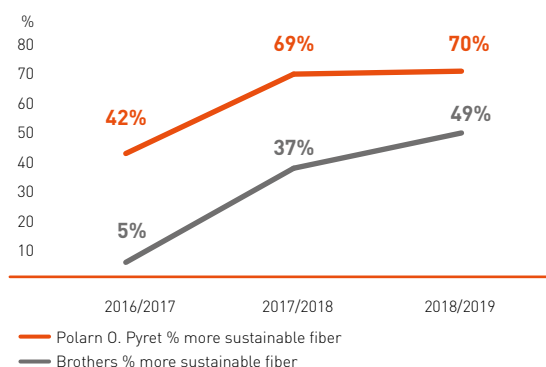
During 2018/2019 Polarn O. Pyret increased its share of recycled materials in its outdoor segment by using recycled materials for lining and padding. It has been a challenge to increase the share of recycled materials in the shell fabrics, due to that the recycled materials have not lived up to quality standards. From a sustainability perspective the durability of the product is prior to its sustainable material content.

#### Chemical demands

##### Prohibition and restriction of hazardous chemicals

Chemical elements are the building blocks of life, and clothing is no exception. However, being part of the retail industry, one of our main challenges is to use suitable chemicals in the right quantity. All products sold through RNB's subsidiaries are covered by and should meet the European chemical legislation REACH and equivalent legislation on other markets. RNB works to ensure and make demands on suppliers based on new research, recommendations and progress in the chemicals field. RNB thoroughly investigates chemicals usage in its products and routinely upgrades its chemical demands to manage potential risks. During 2018/2019, there were no breaches neither based on our internal requirements nor REACH.

#### Sustainable fiber development, % produced pieces





*Four cornerstones for reducing the use of hazardous chemicals*

#### *1. Monitoring research and legislation*

RNB carefully follows developments in the chemicals field and participates in the Chemicals Group operated by RISE SWEREA, and other initiatives. The group, which is composed of members from the industry, is an important tool for identifying risks and ensuring sufficient knowledge about chemicals and legislation. The group's work is determined and funded by group members, as well as government action plans such as the "Non-toxic everyday life" initiative. To ensure product safety, RNB bases its decisions on the strictest legislation in our sales countries. Additionally, and in many cases, we apply tougher requirements than is required by law to ensure product safety.

#### *2. Requirements and information to suppliers*

RNB has its own list of prohibited chemicals that cannot be used in production, which is based on legislation, industry standards and the company's internal goals. For example, Polarn O. Pyret and Brothers have both phased out all perfluorocarbons (PFC) from their fashion ranges and only use water repellent treatments which are not based on PFC.

All suppliers that participate in the production of RNB's proprietary brands are obliged to sign and understand the list, and to ensure that any subcontractors are also made aware of the requirements. Suppliers of external brands must guarantee that they implement independent measures to ensure that they meet legal requirements. By monitoring the supply chain through internal and external inspections, chemical processing is always controlled and discussed.

#### *3. Tests*

Laboratory tests of chemicals in garments taken out of production are conducted regularly at independent accredited laboratories. Each season, additional random checks are carried out on existing products in stores. All tests are conducted based on a materiality analysis of the chemicals in the list of prohibited chemicals, and on a risk assessment of products, processes and suppliers. During the year, chemical testing continued to evolve to become more qualitative, and RNB were able to execute more targeted tests resulting in effective resource and risk management.

RNB identifies if and, where applicable, in what way target customers may be exposed to hazards. RNB removes the hazards wherever possible. For hazards that cannot be removed, we act to reduce the associated risks to an acceptable level.

#### *4. Certified products*

RNB works with products and components that are certified by independent partners subject to chemical content requirements such as GOTS and Oeko-Tex. For example, Polarn O. Pyret's classic stripes in red/white and blue/white are GOTS-certified, while Oeko-Tex certification includes textile labels, zips and buttons on all GOTS-product.



## Opportunities

- Continuous development of sustainable production by; proactive collaboration with key partners, clear policies and incentives for improvements in production.

## Challenges

- The value chain of the production, within the retail industry, is complex in its structure, is located in high risk countries and has the largest environmental and social impact.

In the retail industry, production represents the largest proportion of the environmental and social impact through direct and indirect emissions, water management and workplace conditions. Based on quality standards, the BCSI Code of Conduct, business alignments and demands on suppliers, it's at the production stage that RNB executes the control and auditing that ensures social and environmental compliance and allows us to understand where the challenges and opportunities lie. Close collaborations, clear policies and incentives for improvements are key success factors, and production is governed by systematic controls, as well as action plans for social and environmental initiatives that ensure long-term production.

## Supplier development

### Supplier strategy

On our major selling markets, we're considered a medium-sized operator, but on our production markets we're a very small player. Therefore, apart from creating sustainable fashion ranges, positive buying practices and long-term business relationships with our suppliers, it's also important to establish strong collaborations. We do this through our memberships in organizations, participation in initiatives and projects, and inclusion in accords, where shared knowledge and strength can drive action for more sustainable production alongside our suppliers through training initiatives, corrective action plans and follow-up audits.

In order to start a business relationship, all suppliers have to sign the RNB Master purchase agreement, which regulates matters such as the supplier's obligation to follow the amfori BSCI Code of Conduct. RNB evaluates its suppliers ahead of each season and bases its production strategy and supplier-specific plans on this assessment. In our due diligence process, we consider social as well as environmental criteria before approaching a new market. Furthermore, factors such as product quality, on-time delivery and price are key aspects of our regular supplier screening and are included in the selection process for new suppliers.

### Production chain

RNB doesn't own factories, and production of proprietary brands is outsourced to suppliers. In the fiscal year 2018/2019, RNB collaborated with 94(100) production

units in 13(15) countries. RNB seeks to minimize the number of intermediaries and limit the total number of suppliers. The aim is to engender close relationships with selected suppliers to optimize production control. Over the past three years, the number of production units has remained largely stable, with a slight decrease. The main reasons for changes made in the supplier base has been GOTS production and Disney production, increase sustainable materials as well as the pursuit of improving margins and consolidate strategies. Since most of production takes place in Asia, and 87% (88%) of factories are located in risk countries, RNB implements a range of solutions to engage more closely with production units. This work mainly takes place through the production office in Hong Kong and via our agent offices in Turkey and Bangladesh. These offices carry out tasks such as sourcing suppliers, negotiating orders, administrating supplier contacts, carrying out quality inspections and nurturing supplier relations.

Over the past three years, there's been a slight shift between production countries. Although most of RNB's production remains stable in China, the share is decreasing due to the need to find suppliers better able to provide GOTS and casual-wear production. Bangladesh remains the second largest production country. Suppliers in Bangladesh primarily provide volume orders in organic cotton and GOTS-production. All Bangladesh suppliers are within the scope of the Accord in terms of ensuring the building, fire and electricity safety of production. India continues to grow and primarily provides RNB with casual products in organic cotton and GOTS-production.

**Supplier evaluation**

Evaluation of the supplier's ability to satisfy RNB's requirements. →

**Planning and initiatives for continuous improvements**

Important activities to be carried out during the year are specified in a plan, and a manager is appointed to drive the process alongside suppliers. Examples include inspections or improvements based on the Code of Conduct, production adjustments aimed at assuring quality or delivery instruction training. A discontinuation plan is established for suppliers that fail to satisfy the requirements.

→ **Supplier evaluation**

**Collaboration with new suppliers**

<i>Sourcing</i>	<i>Analysis and control</i>	<i>Drafting of contracts</i>	<i>Registration</i>	<i>Production tests</i>
The need for a new supplier is identified, and the type of supplier specified. Suppliers that match the profile are secured through a series of visits and meetings.	The new supplier's potential is reviewed in factory visits to ensure that they satisfy minimum requirements regarding working conditions, and to ensure that production is appropriate for the type of product to be manufactured.	The supplier receives training in RNB's sourcing requirements, including delivery instructions, quality requirements and Code of Conduct. Once these factors have been approved, the parties sign a framework sourcing agreement.	Complete information about the supplier and its factories is entered into the order system.	The first orders are placed and are carefully monitored to ensure that all specifications are met.

**Factory inspections**

RNB utilizes a mix of external and internal inspections to manage risks in a structured manner. Over the last three years, the number of inspections relating to social

compliance has increased with 2% and the share of internal and external inspections has varied somewhat.

**BSCI audit** – The external amfori BSCI audits form the basis for following up on the social improvement process. An audit includes a physical inspection of the entire factory, review of documentation and interviews with workers and factory management. All factories in risk countries are required to participate in the BSCI inspection process. The results of those audits are valid for a set cycles, depending on the findings and can vary from two months to two years and are carried out by independent accredited inspectors. The number of BSCI inspections has increased slightly over the past three years. More factories, including smaller factories and plants located in non-risk countries, are willing to participate in a BSCI audit.

**Internal inspections** – The main purpose of RNB's internal inspections is to comply with the inspection results of the external audits, and to set action plans for corrections determined during the audits. These inspections are carried out by qualified inspectors at RNB's or agents' offices, focusing mainly on the physical working environment. Most of the follow-ups are performed at units with the most serious findings. Another purpose of the internal audits is to evaluate the status of units without valid BSCI audit, either in the existing supplier base or new production units that fit the profile for RNB's sourcing strategy.

**QC inspections** – Quality controllers are present for a large part of the production process. They are either RNB's own employees or employees of business partners. In addition to controlling product quality, they validate that production takes place at the specified facility and that there are no visual infringements of RNB's zero-tolerance policy. It's during these inspections that we find most in terms of the breaches of unauthorized production.

**Performance reviews** – RNB takes part in the Swedish Textile Water Initiative (STWI) where factories in active projects are reviewed by a technical team monitoring water, energy and chemical performances to produce a joint action plan based on the team's recommendations. Data is then collected on these performances and progress reports presented.

**Safety inspections** – All factories in Bangladesh are covered by the Bangladesh Accord on Fire and Safety. These factories are subject to initial inspections and periodic follow-up inspections to monitor and verify remedial measures on fire, electricity and structural safety.

## Production improvements

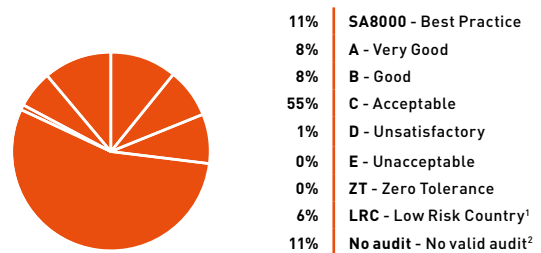
### Social compliance

The following diagram shows a breakdown of the results of inspections carried out in active factories in the financial year based on BSCI inspections. These inspections are based on the 2014 Code of Conduct and are evaluated on a scale of A-E, where A represents the top result and E and ZT indicating very serious irregularities.

The result is a weighted overall rating of the outcome in 13 subsegments. The weighting takes into account the seriousness and frequency of divergences in the respective subsegments. For minor infringements, suppliers may be given up to a year to correct the problem. In cases of serious deficiencies, suppliers may need to address the infringement immediately. If the deficiency is in a zero-tolerance area, this triggers a warning system that immediately mobilizes all brands using the factory for production to address the infringement. If a supplier is allocated an overall level D or lower, RNB assigns the case top priority internally to ensure that the deficiencies are addressed without delay.

During 2018/2019, 83% (84%) of the order value came from production units with a valid BSCI audit. 20% (6%) of the order value came from production units located in countries which BSCI has defined as “low risk countries,” for example, Sweden, Germany and South Korea. RNB has prioritized audits in countries which BSCI has classified as “high risk countries,” explaining why there’s not always a valid audit result from production units in low risk countries. 11% (10%) of the order value came from production units that have no valid BSCI audit and are defined as

## BSCI audit results breakdown of order value 2018/2019



During 2018/2019 there was one specific BSCI audit which rendered the overall result E due to that the auditor was denied access at the premise, because of administrative misunderstandings. The audit was performed at a new date and got the overall result C which is presented in the diagram.

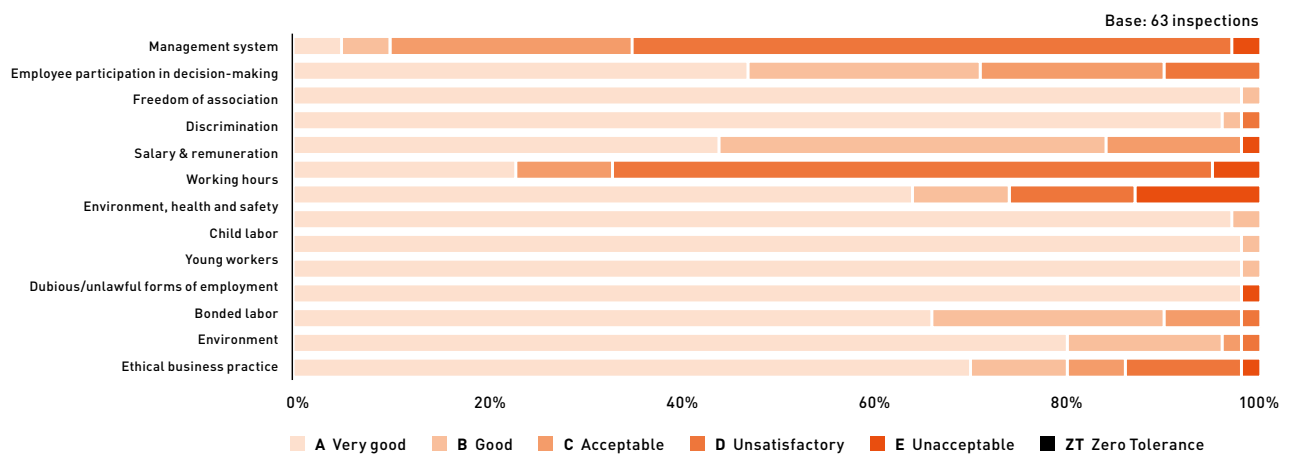
- 1 Low risk country is defined in the Worldwide Governance Indicators (WGI) by the world bank
- 2 Audit is either missing or the time period for how long the audit is valid has expired

a “risk country” according to BSCI. Half of the units are so small that it’s been challenging to audit them.

During 2018, BSCI initiated a new type of audit better suited to smaller facilities, but as of now RNB has not implemented these kinds of new audits. Further, some production units have failed to renew its audit within the set time frame and is therefore classified as “no audit” until a new audit has been performed. The challenge has been for RNB to ensure this, as we’re not registered as responsible for the units in the BSCI process and have not been able to initiate new audits by ourselves.

## BSCI audit result breakdown 2018/2019

The diagram illustrates the proportion of factories diverging from the requirements of the Code of Conduct in BSCI inspections of active factories in the financial year.





During 2018/2019, 28% of the order value came from units with an audit result in the range between Good to Best Practice. This share has increased over the past three years, indicating continuous improvements. 55% comes from production units with the average audit result C, which means that the production unit is mainly working on improving smaller deviations.

When analyzing results from BSCI audit breakdown, most areas are improving over time or remain stable at a high level (A or B), which indicates that working with amfori BSCI generally contributes positively to the sustainable development goals. However, there are two areas with a negative trend: Management systems and Working hours. These areas have a negative trend in general, not only at RNB production units.

RNB continues to train management teams in our production units to increase knowledge in how fully functional management teams are of outmost importance to create long-term improvement in all other areas. This year, 22 of RNB producers completed BSCI-courses where 2 was directedly connected to human rights.

There is a general perception that even though the outcome of the audit results over the past three years is very good in the areas of Child labor and Bonded labor, there is a risk that these issues have moved further upstream in production. Another risk is that the status of the areas of Freedom of associations and Discrimination are difficult to catch in audits or in the BSCI grievance mechanism. Therefore, RNB needs to further analyze if and where there are discrepancies that don't show up in the reports.

Coming years, the subsidiaries will continue to develop the sustainability work individually with experiences from the group level in mind.

#### Fire and building safety

As a signatory of both the Accord on Fire and Building Safety in Bangladesh and the 2018 Transition Accord, RNB is committed to ensuring that safety remediation is completed and financially feasible, that safety committees and safety training in all included factories are implemented. As of September 2019, 99% of all initial findings and 93% of all findings had been remediated within RNB operations.

In May 2019, the Accord Steering Committee and the BGMA signed an "Memorandum of Understanding" (MoU) which has been endorsed by the Bangladesh government. In practice this means that the Accord will transfer all functions (related to inspections, remediation, training and safety complaints mechanism) into the RMG Sustainability Council (RSC) by end of May 2020.

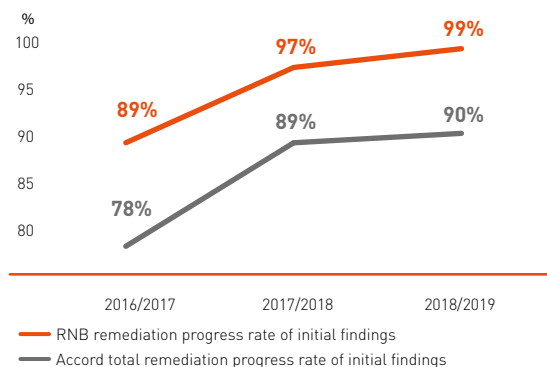
#### Climate impact

The global apparel and textiles industry, including RNB, produces a significant amount of greenhouse gas emissions (GHGs) thereby contributing to global warming. RNB is part of The Swedish Textile Initiative for Climate Action (STICA), through which we will set science-based targets to reduce our greenhouse gases in line with 1.5 C warming pathway. STICA provide us with a neutral, non-competitive platform for companies and organizations and support the development of joint projects and cross-sector collaborations to develop a roadmap and implement an action plan to reduce our GHG emissions beyond 1,5C warming target. During 2018/2019 RNB has mapped it's GHG emissions in scope 1 and 2 for baseline year 2017/2018 which will be reported by end of 2019. During 2020 scope 3 will be included in this mapping.

#### Water and chemicals management

RNB continues to support the Swedish Textile Water initiative (STWI) but has during 2018/2019 not been able to nominate any factories to take part in STWI projects - a challenge we share with other STWI members. RNB's historical participation within STWI projects has been successful in many ways. The factories taking part in the project made significant savings and increased efficiency within the water-, chemical-, and energy management.

#### Accord remediation progress



### Opportunities

- There is a potential to decrease our climate impact through:
  - Preventive actions found by performing root-cause analysis of production delays
  - Efficient and optimized logistic flow from new central warehouse investment.

### Challenges

- Transportation methods for delays needs to be sanctioned and evaluated for the best possible alternative.

Efficient on-time transportation from production to our customers lays the groundwork for an outstanding shopping experience while reducing environmental impact and greenhouse gas (GHG) emissions. Conversely, delays of any kind cause greenhouse gas emissions to increase. This is because freight with shorter lead times such as air and train freight, that can make up for these delays, releases significantly more greenhouse emissions than sea freight.

### Transport of goods

Transport from Asia to Sweden mainly occurs by sea routes, while transport from European producers and distribution from central warehouses to stores mainly take place by road. Air transport, which is the form of transport with the highest environmental impact and the highest cost, is used in exceptional cases when fast delivery must be prioritized for various reasons.

Over the past three years, emissions of GHG have decreased significantly from 1233 CO2ton to 999 CO2ton. There are multiple reasons for this, the main one being the decrease in air transports. However, both years 17/18 and 16/17 were greatly exposed to external factors with the strikes at the Gothenburg harbor leading to more air transports.

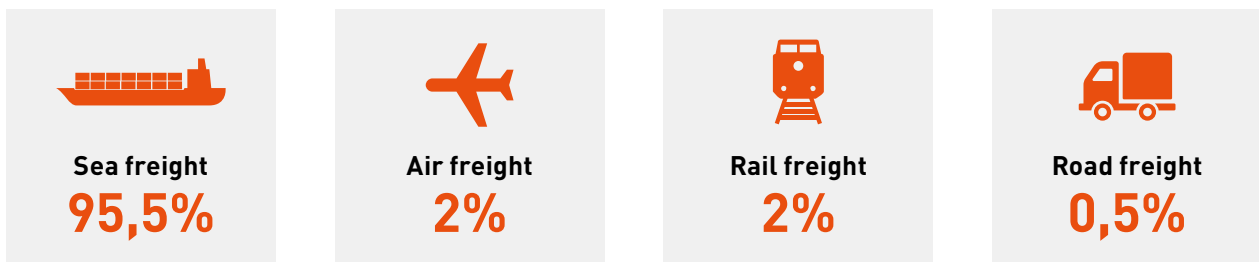
Additionally, the number of transportations from our supplier to our warehouse has decreased although the number of produced pieces increased. This means that the filling rate within RNB transportations has improved.

The number of total transports has increased due to a significant increase of e-commerce transportations, however, this has not significantly affected the total CO2ton emissions.

RNB has implemented strict routines to limit air freights to exceptional cases, which is supported by a control system whereby each potential air freight must be evaluated and validated to determine whether a better alternative could be prioritized. This has limited GHG gases to some extent, and we can see a significant increase

**The logistics data for 2018/2019** is based on the period between June 2018 and May 2019. The offset of the time period is due to the long lead times for data collection. Transportations to franchises of products from external brands and transportations from Departments & Stores to the central warehouse, are carried out by the seller's haulers and have therefore not been included in the calculations.

### Proportion of goods flow by transport type



in rail transport over the years, while efficiency has also increased both for sea freight and for transports by truck from our warehouses to stores.

Today, there are limited options for better transportation alternatives, as vehicles that run on renewable fuel are not yet available on the scale required.

During 2019 RNB will move to a new central warehouse run by a third-party logistics partner. New ways of working combined with new systems will provide better conditions and tools for warehouse and transportation optimization. The new warehouse will be certified by GreenBuilding. GreenBuilding entail efficient use of energy and require that the building use 25% less energy compared to the new building requirements.

### **Business trips**

Every year, employees at RNB complete several international and domestic trips. According to RNB's travel policy, the environmental impact should be considered in connection with travel, and whenever possible, rail travel should be chosen. RNB receives statistics for business trips from third parties, and for 2018/2019 there were continuous challenges in terms of obtaining precise information about our business trips why we can't follow up on if the travel policy is fully implemented.



## 4 Stores



### Opportunities

- Guide consumers towards more conscious choices in terms of sustainability:
  - By educating and train our staff through e-learning tools on sustainability.
  - By implementing an updated e-commerce platform with more product information regarding environmental impact.

### Challenges

- Consumerism is one contributing factor for climate change. We must set our positions and strategies for a more sustainable business development.

Looking at RNB's environmental impact, our stores provide a relatively small proportion of the overall effect. However, we always consider the environment in connection with new establishments or renovations of existing stores. Environmental awareness has increased in retail, and landlords are offering better opportunities to build more sustainable stores. Furthermore, it's the day-to-day interactions of our sales experts that guide customers to make conscious consumer choices

### Services

During 2018/2019, Brothers and Polarn O. Pyret further developed a digital platform in order to continue to educate store associates within the area of sustainability and quality. The purpose of the platform is to strengthen the store associates in supporting customers to make more conscious shopping decisions. The platform will be launched during the end of 2019.

Additionally, on the Polarn O. Pyret's e-commerce platform, customers find information about care instruction and sustainability labeling etcetera, which makes it easier to make conscious shopping decisions. During fall 2019, Brothers introduces this information on its e-commerce platform and contributes to increased knowledge about and accessibility to sustainable shopping.

### Operations & wrapping

In the financial year 2018/2019, Brothers and Polarn O. Pyret reused most the packaging going from the central warehouses to its stores. 11,500 (15,300) cardboard boxes were reused, and once the boxes were worn out, they were recycled as corrugated cardboard. During 2018/2019 approximately 4000 boxes were also re-used to store additional goods in the warehouse.

During last year Departments & Stores improved packaging by introducing reusable boxes that can be folded multiple times, this initiative has continued and

expanded to include both NK in Stockholm & Gothenburg. The estimated number of reused boxes for Departments & stores are approximately 10,000.

The energy used in RNB stores, that are able to determine their own energy providers independently, originates from a mix of renewable Nordic energy sources and thus reducing the overall environmental footprint. Additionally, during the year RNB's energy efficiency continued to improve as a result of the company's redevelopment plan. Strategic decisions such as the installment of LED lightning are applied to renovations to increase efficiency.

### Community engagement

In RNB stores, we follow legislation and inform our customers of the environmental impact of plastic bags, the benefits of reducing usage and provide suggestions on reducing consumption. Moreover, plastic bags are produced using more sustainable materials derived from oyster shells and recycled plastics. All earnings from plastic bags are donated by Polarn O. Pyret and during the year, Polarn O. Pyret collected SEK 157.000 from plastic bags and in total donated SEK 200.000 to Save the children. Brothers' charity efforts are focused on their campaign against prostate cancer, which resulted in an SEK 200.000 donation to the Prostate Cancer Foundation during.

### Opportunities

- Business potential for further development within circular business models, with our high-quality assortment, suited for high second-hand value, repairs and rental services.

### Challenges

- To increase maturity level of circularity business models throughout our whole portfolio.

Customer consumption patterns have changed in recent years due to increased knowledge about the negative social and environmental impact of high consumptions. By changing the way, we consume, we can move towards reaching the global climate goals. At RNB, we want to be the sustainable option and the opposite of fast-fashion, by creating fashion that lasts and where we reuse and remake faulty products to prolong the lifecycle.

## Responsible claims

### *Customer claims*

The safety of our customers is always paramount, which means that we control products to ensure that our safety requirements are met. RNB never sells items that could harm our customers. If cases arise where products are faulty, we handle this with care for people and the planet.

Although claims are unusual, if products are faulty but not unsafe, RNB will compensate the customer and work to solve the problem. If the fault is fixable, remedying the problem is the priority. Although this might generate additional costs in comparison to incineration, the environmental benefits are of great importance. Furthermore, damaged but functional products may be sold at a reduced price through outlet stores or donated to people in need.

### *Product recalls*

If a health or safety issue arises in the supply chain, we evaluate appropriate measures. During the financial year 2018/2019, no health and safety incidents were detected in supply chain controls. Once quality control has been carried out at the production stage, fashion ranges are shipped to stores and although it's very unusual, there have historically been some cases where products have

been identified as faulty even after production controls. In the event of such problems, RNB will recall the product. In these cases, we inform all customers on the website, by email and in stores, and encourage customers to return the product and receive a compensation. This year, there were no faulty products identified after supply chain controls, nor any fines issued by relevant authorities.

### *Incineration*

For RNB, incinerating products is the final option, and should only occur if a product endangers the consumer due to its construction or for chemical reasons. For example, this could occur if RNB or its suppliers have failed to follow routines, or if test results do not appear to be representative of all products included in an order due to production variations. However, this scenario is extremely unusual and only occurs as an exception.

### **Awards**

According to Differs yearly evaluation, Polarn O. Pyret has been the no 1 green brand in the clothing sector since 2009 and according to Sustainable Brand Index, Polarn O. Pyret was ranked no 5 in the Swedish Clothes and Shoes category in 2019.

## Circularities

### *Circular clothing consumption*

RNB has participated in Sweden's Textiles for Recycling (T4RI) initiative since spring 2014. This project helps the textile industry to assume a proportion of its responsibility for ensuring that textiles are reused in the first instance, and then recycled optimally, and only sent for incineration as a last option.

During 2017/2018, Polarn O. Pyret continue to collaborate with Hyber, a subscription company where you can rent outerwear and exchange garments as children grow and seasons change.

To encourage customers to reuse garments, Polarn O. Pyret has provided a second-hand buy-and-sell website for several years and has a set goal that each garment should be used by at least three children. According to Polarn O. Pyret's customer survey, its clothing ranges have a strong second-hand value and are a primary factor for choosing Polarn O. Pyret. The survey further showed that 55% (49%) of customers use their outdoor garments for a minimum of three children or more. This brings significant environmental benefits as three children in each garment reduces climate emissions and water usage by 65% in comparison to one child in each garment.

To further increase the lifespan of garments, Polarn O. Pyret stores are equipped with replacement parts such as repair patches and zippers. Polarn O. Pyret also have the PO.P Repairs service, where customers are supported to repair outerwear at cost price, or free of charge for most loyal customers, regardless of the garment's age, so that it can continue to be worn, passed on or re-sold.

Finally, Polarn O. Pyret also provides an upcycling guide on its e-commerce platform to further help customers bring new life into their garments.

With these initiatives, Polarn O. Pyret continues to support new ways of ensuring sustainable consumption.

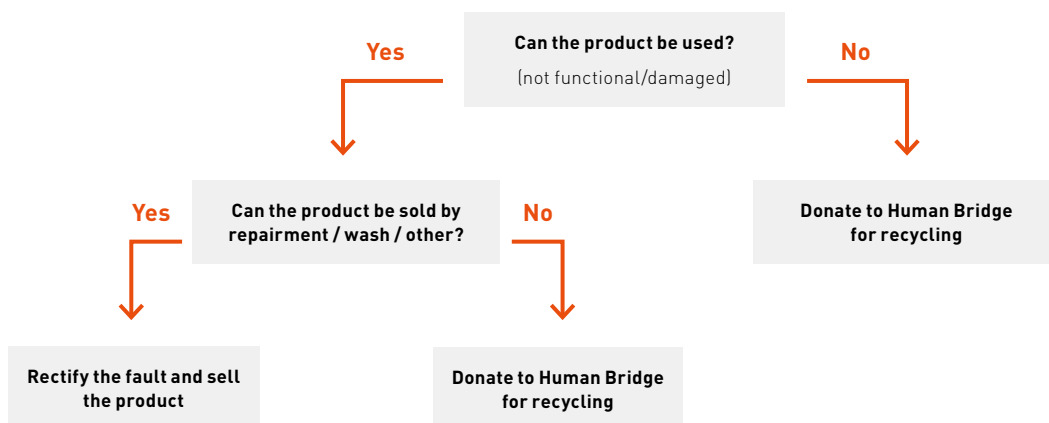
From March 2019, Polarn O. Pyret updated its routines for customer claims. Returned products from customers that were faulty but not unsafe, were donated to Human Bridge. By donating products to people in need, the lifecycle is prolonged and contributes to a more circular clothing consumption. From 2019/2020 a similar update of customer claim routine will be implemented for Brothers as well.

### *Sustainability concepts*

With "PO.P Cares", Polarn O. Pyret aims at gathering all areas of environmental and social responsibility into one single concept to clarify its communication with customers. During the year 2018/2019, Polarn O. Pyret continued to improve its sustainability product range by introducing "PO.P WeatherPRO®". PO.P WeatherPRO® is a range of outdoor products designed both for the Nordic outdoor climate and to be extra durable for multiple children usage. That is why product specific features in these garments are printed in the garment, so that the information can transfer from owner to owner.

During 2018/2019 Brothers introduced the concept A conscious choice. It includes environmental responsibility and animal welfare. The concept aims to make it easier for customers looking for more sustainable options to find them, both in store and online.

## Routines for customer claims





# Consolidated sustainability data

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Human Resources	32
Design & purchasing	33
Production	34
Logistics	35
GRI Content Index	36

# Human Resources

Number of employees	2018/2019	2017/2018	2016/2017
Full time equivalents (FTE)	992	1,021	1,028

Age and employee turnover <sup>1</sup>	2018/2019	2017/2018
Average age, years	36	36
Average period of employment, years	6	6
Employee turnover, %	8%	8%

Personal health and safety <sup>1</sup>	2018/2019	2017/2018
Total Sick leave	4%	4%
Short-term sick leave	2%	2%
Long-term sick leave	2%	2%

## Diversity and equality<sup>1</sup>

Number of employees, %	2018/2019	2017/2018	2016/2017
Men	16%	19%	16%
Women	84%	81%	84%

Board of Directors, gender	2018/2019	2017/2018	2016/2017
Men	4	4	4
Women	2	2	2

Board of Directors, age	2018/2019	2017/2018	2016/2017
Below 30	0	0	0
30-50	2	1	1
Above 50	4	5	5

Management group, gender	2018/2019	2017/2018	2016/2017
Men	5	5	5
Women	3	4	4

Management group, age	2018/2019	2017/2018	2016/2017
Below 30	0	0	0
30-50	6	6	6
Above 50	2	3	3

CEOs, gender	2018/2019	2017/2018	2016/2017
Men	1	2	2
Women	3	2	2

CEOs, age	2018/2019	2017/2018	2016/2017
Below 30	0	0	0
30-50 year	2	2	2
Above 50	2	2	2

<sup>1</sup> Based on full and part-time employees



# Design & purchasing

The RNB definition of more sustainable fibre contains: GOTS certified fibre and production, certified organic fibre, certified recycled fibre and Better Cotton.

<b>POP % share of more sustainable fiber</b>	<b>2018/2019</b>	2017/2018	2016/2017
POP % more sustainable fiber	70%	69%	42%
POP % conventional fibre	30%	31%	58%

<b>POP % share of more sustainable cotton (including BCI)</b>	<b>2018/2019</b>	2017/2018	2016/2017
POP % more sustainable cotton	99%	95%	57%
POP % conventional Cotton	1%	4%	43%

Goal 2020: 100% organic cotton of which <50% is GOTS cotton

<b>POP % share of recycled fiber</b>	<b>2018/2019</b>	2017/2018	2016/2017
POP % recycled fiber	5%	2%	2%
POP % virgin fibre	95%	98%	98%

<b>Brothers % share of more sustainable fiber</b>	<b>2018/2019</b>	2017/2018	2016/2017
Brothers % more sustainable fiber	49%	37%	5%
Brothers % conventional fibre	51%	63%	95%

<b>Brothers % share of more sustainable cotton (including BCI)</b>	<b>2018/2019</b>	2017/2018	2016/2017
Brothers % more sustainable cotton	73%	53%	7%
Brothers % conventional Cotton	27%	47%	93%

# Production

## RNB number of production units and production countries with order value

	2018/2019	2017/2018	2016/2017
Number of units	94	100	112
Number of countries	13	15	14

## RNB production countries, % of order value

	2018/2019	2017/2018	2016/2017
<b>Countries<sup>1</sup></b>			
China	53%	57%	60%
Bangladesh	13%	11%	9%
India	9%	8%	6%
Lithuania	9%	7%	8%
Republic of Korea	4%	4%	3%
Turkey	4%	4%	5%
Myanmar	4%	3%	4%
Cambodia	2%	1%	0%
Romania	2%	1%	1%
Vietnam	1%	1%	0%
Pakistan	1%	0%	0%
Other <sup>2</sup> (Sweden, Germany)	2%	3%	2%

1 Due to replenishment production the order value can't be calculated exactly for production in Latvia, but is approximately 1% of the order value.

2 The countries represented in the <1% category varies over the years why the specification is only valid for 2018/2019.

## Production units in risk countries

	2018/2019	2017/2018	2016/2017
Risk country <sup>1</sup>	87%	88%	85%
Low risk country	13%	12%	15%

1 Risk country is defined in the Worldwide Governance Indicators (WGI) by the world bank

## Share of internal and external inspections

	2018/2019	2017/2018	2016/2017
External inspections <sup>1</sup>	36%	35%	52%
Internal inspections <sup>2</sup>	64%	65%	48%
<b>Total number of inspections</b>	<b>172</b>	<b>168</b>	<b>126</b>

1 BSCI audits and SA8000 audits

2 RNB factory assessments, RNB factory visits and Agent assessments.

## BSCI audit results breakdown of order value in the total supplier base

	2018/2019	2017/2018
SA8000 - Best Practice	11%	5%
A - Very Good	8%	13%
B - Good	8%	4%
C - Acceptable	55%	60%
D - Unsatisfactory	1%	3%
E - Unacceptable	0%	0%
ZT - Zero Tolerance	0%	0%
LRC - Low Risk Country <sup>1</sup>	6%	6%
No audit - No valid audit <sup>2</sup>	11%	10%

1 Low risk country is defined in the Worldwide Governance Indicators (WGI) by the world bank

2 Audit is either missing or the validity period of the audit has expired

## Zero tolerance issues

	2018/2019	2017/2018	2016/2017
BSCI Zero tolerance		0	0
RNB Zero tolerance		2	0

## Accord remediation progress

	2018/2019	2017/2018	2016/2017
RNB remediation progress rate of initial findings	99%	97%	89%
Accord total remediation progress rate of initial findings	90%	89%	78%
RNB Remediation progress rate of total findings	93%	93%	88%
Accord total Remediation progress rate of total findings	88%	87%	79%
Number of remediated active factories	5/5	4/6	2/5

## BSCI producers training program

	2018/2019	2017/2018	2016/2017
Number of RNB producers completed BSCI courses	22	27	21
Number of RNB producers completed BSCI courses connected to Human rights	8	15	6

# Logistics

The logistics data for 2018/2019 is based on the period between June 2018 to May 2019. The offset of the time period compared to this fiscal year, is due to the long lead-time of collecting the data from the transporters. The same goes for 2017/2018. This causes an overlap of data of three months of the data for 2018/2018 and 2016/2017. During this specific period there were both an extensive strike in the harbor of Gothenburg and a cyber-attack of the APM terminals which is presented in the figures for both 2016/2017 and 2017/2018.

**Mass of transported goods,  
emissions and efficiency  
for inbound and outbound  
transports**

	2018/2019	2017/2018	2016/2017
TonKm	28,865,262	31,330,618	25,970,996
Emission CO2e (ton)	999	1,552	1,233
CO2 gram/tonKm	35	50	47

**Share of consignments per  
transport type, % tonkm**

	2018/2019	2017/2018	2016/2017
<b>Type of freight</b>			
Sea freight	96%	93%	92%
Air freight	2%	3%	4%
Rail freight	2%	3%	2%
Road freight	1%	1%	2%

# GRI content index

GRI standard	Disclosure number	Disclosure title	Location of disclosure	Note
<b>GRI 102: General disclosures</b>	102-1	Name of the organisation	4	
	102-2	Activities, brands, products, and services	6-7	
	102-3	Location and headquarters	6	
	102-4	Location of operations	6-7	
	102-5	Ownership and legal form	6	
	102-6	Markets Served	6-7, 22, 38	
	102-7	Scale of the organization	6-7	
	102-8	Information on employees and other workers	16-17, 36	Due to limitation in the data we are only able to report the total number of employees, defined as full time equivalents, based on gender.
	102-9	Supply chain	22	
	102-10	Significant changes to the organisation and its supply chain	22	
	102-11	Precautionary Principle or approach	29	
	102-12	External initiatives	8, 12-13, 20-25	
	102-13	Membership of associations	15	
	102-14	Statement from senior decision-maker	5, 31-33?( invänta)	
	102-15	Key impacts, risks, and opportunities	12-13, 19, 22, 26, 28	
	102-16	Values, principles, standards and norms of behavior	8, 12-17, 22	
	102-17	Mechanisms for advice and concerns about ethics	14-15	
	102-18	Governance structure	4	
	102-40	List of stakeholder groups	9-10	
	102-41	Collective bargaining agreements	17	Due to limitation in the data we are not able to report on the percentage, but instead we describe in which regions the agreements are applied.
	102-42	Identifying and selecting stakeholders	9-11	
	102-43	Approach to stakeholder engagement	9-11	
	102-44	Key topics and concerns raised	9-11	
	102-45	Entities included in the consolidated financial statements	See note	Information can be found in RNB Retail and Brands Financial Review, page xx
	102-46	Defining report content and topic Boundaries	9-10	
	102-47	List of material topics	11	
	102-48	Restatements of information	See note	In case of occurrence, this is reported in connection with relevant topic
	102-49	Changes in reporting		No changes from previous reporting year
	102-50	Reporting period	4	
	102-51	Date of most recent report	4	
	102-52	Reporting cycle	4	
102-53	Contact point for questions regarding the report	44		
102-54	Claims of reporting in accordance with the GRI Standards	4		
102-55	GRI content index	40-42		
102-56	External assurance	43		
<b>GRI 103: Management approach</b>	103-1	Explanation of the material topic and its Boundary	See note	The management approach is presented in connection with each material topic
	103-2	The management approach and its components	See note	The management approach is presented in connection with each material topic
	103-3	Evaluation of the management approach	See note	The management approach is presented in connection with each material topic

GRI standard	Disclosure number	Disclosure title	Location of disclosure	Note
<b>ECONOMIC</b>				
<b>GRI 201: Economic performance</b>	201-1	Direct economic value generated and distributed		Partly disclosed, as only total revenues and operating income is reported.
<b>GRI 205: Anti-corruption</b>	205-1	Operations assessed for risks related to corruption	14, 22-25	
	205-2	Communication and training about anticorruption policies and procedures	14-15	The information has not been broken down by employee category or region, as the same approach has been applied to all partners and employees.
	205-3	Confirmed incidents of corruption and actions taken	14-15	
<b>ENVIRONMENTAL</b>				
<b>GRI 301: Materials</b>	301-2	Recycled input materials used	28-30	Due to limitation in the data, we are unable to report on percentages of recycled input material used. Instead we report incentives to increase the life-span of garments.
	Own indicator	"Share of more sustainable materials used in our garments"	20, 37	
<b>GRI 302: Energy</b>	302-4	Reduction of energy consumption	25, 28	Due to limitation in the data, we are unable to report on percentages of energy reduction within our own stores. As a complement, we describe initiatives aimed at reducing energy consumption.
<b>GRI 303: Water</b>	Own indicator	Initiatives for more sustainable water management	20, 25	
<b>GRI 305: Emissions</b>	305-1	Direct (Scope 1) GHG emissions	25	Mattias: Paragrafen nedan gäller för 305-1 och 305-2 men inte 305-3
	305-2	Energy indirect (Scope 2) GHG emissions	25	RNB is part of The Swedish Textile Initiative for Climate Action, through which RNB will set science-based targets to reduce our greenhouse gases in line with 1.5 C warming pathway. By the end of 2019 RNB will have mapped its GHG emissions in scope 1 and 2.
	305-3	Other indirect (Scope 3) GHG emissions	26-27, 39	Instruktion för 305-3. Faktisk nottext: Downstream activities; transportation and distribution has been disclosed.
<b>GRI 306: Effluents and waste</b>	Own indicator	Share of stores with recycling systems	28	
<b>GRI 307: Environmental compliance</b>	307-1	Non-compliance with environmental laws and regulation	29	No faulty products identified after supply chain controls nor any fines issued from relevant authorities.
<b>GRI 308: Supplier environmental assessment</b>	308-1	New suppliers that were screened using environmental criteria	22	
<b>SOCIAL</b>				
<b>GRI 401: Employment</b>	401-1	New employee hires and employee turnover	36	
<b>GRI 403: Occupational health and safety</b>	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	17, 36	Partly disclosed as only sick leave data, short term and long term, is disclosed.
<b>GRI 405: Diversity and equal opportunity</b>	405-1	Diversity of governance bodies and employees	17, 36	

<b>GRI standard</b>	<b>Disclosure number</b>	<b>Disclosure title</b>	<b>Location of disclosure</b>	<b>Note</b>
<b>GRI 406: Non-discrimination</b>	406-1	Incidents of discrimination and corrective actions taken	17	
<b>GRI 407: Freedom of association and collective bargaining</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	24-25	
<b>GRI 408: Child labor</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	24-25	
<b>GRI 409: Forced and compulsory labor</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	24-25	
<b>GRI 412: Human rights assessment</b>	412-1	Operations that have been subject to human rights reviews or impact assessments	24-25	
<b>GRI 414: Supplier social assessment</b>	414-1	New suppliers that were screened using social criteria	22	
<b>GRI 416: Customer health and safety</b>	416-1	Assessment of the health and safety impacts of product and service categories	19	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	29	
<b>GRI 419: Socioeconomic compliance</b>	419-1	Non-compliance with laws and regulations in the social and economic area	See note	We have not identified any non-compliance with laws and regulations in the social and economic area.

# Auditor's report on the statutory sustainability report

To the general meeting of the shareholders of RNB RETAIL AND BRANDS AB (publ), corporate identity number 556495-4682

## Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the financial year 1 September 2018 – 31 August 2019 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinions

A statutory sustainability report has been prepared.

Stockholm 27 November 2019  
Ernst & Young AB

Beata Lihammar  
*Authorized Public Accountant*

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